

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

PA-04 PRS-01 USIE-00 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 AGR-20 TAR-02

SSO-00 NSCE-00 INRE-00 DRC-01 /168 W

----- 129664

O P 170245Z MAR 74

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC IMMEDIATE 3675

INFO AMEMBASSY BRASILIA PRIORITY

AMEMBASSY GUATEMALA CITY PRIORITY

AMEMBASSY SAN SALVADOR PRIORITY

AMEMBASSY SAN JOSE PRIORITY

AMBASSY PANAMA CITY PRIORITY

AMCONGEN GUAYAQUIL PRIORITY

C O N F I D E N T I A L MANAGUA 01000

E.O. 11652

TAGS: ETRD CS HO INV

SUBJECT: BANANAS - DISCUSSION WITH GENERAL SOMOZA

RE MEETING TEGUCIGALPA

REFERENCE: STATE 053281

IN A DISCUSSION WITH NICARAGUAN GENERAL SOMOZA ON MARCH 17
THE FOLLOWING INFORMATION WAS OBTAINED RE THE MEETING OF PRESIDENT
FIGUERES, GENERAL TORRIJOS, PRESIDENT LOPEZ AND GENERAL
SOMOZA ATTEGUCIGALPA ON MARCH 14 AND 15. GENERAL SOMOZA
SAID THAT THE MEETING STARTED WITH A GENERAL AGREEMENT AMONG
THOSE PRESENT THAT A TAX OF ONE DOLLAR A BOX BE PLACED ON ALL EX-
PORTED BANANAS EXCEPT FROM ECUADOR ON WHICH THE TAX WOULD BE FORTY
CENTS. SOMOZA SAID HE RAISED THE QUESTION RE THE SEEMING INEQUITY
OF THIS TREATMENT WHICH HE FELT WOULD SERIOUSLY DAMAGE CENTRAL AMERI
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CAN EXPORTS SINCE THERE WOULD NOT APPEAR TO BE A FULL 60 CENTS PER BOX DIFFERENCE IN TRANSPORTATION COSTS. SOMOZA SAID HE WAS AWARE HIS COLLEAGUES WHO WERE PRESENT FELT THAT THE IMPOSITION OF SUCH A TAX MIGHT WELL CAUSE THE PRODUCING COMPANIES TO INCREASE THEIR PRODUCTION IN ORTHER AREAS AND DAMAGE THE PRODUCTION AND MARKETABILITY OF CENTRAL AMERICAN BANANAS. SOMOZA SAID THAT GENERAL LOPEZ AND GENERAL TORRIJOS WERE RELATIVELY QUIET AND REASONABLE ABOUT THE SITUATION BUT THAT PRESIDENT FIEGERES WAS ABSOLUTELY ADAMANT AND WENT INTO A LONG BACKGROUND OF THE MISTREATMENT OF CENTRAL AMERICA BY THE BANANA COMPANIES IN ORDER TO EMPHASIZE HIS BELIEF THAT NO COMPROMISE WAS POSSIBLE. THERE WAS CONSIDERABLE DISCUSSION AS TO HOW THE REVENUE WAS TO BE UTILIZED FROM THE DOLLAR PER BOX TAX WITH FIGUERES INSISTING IT SHOULD GO INTO THE GENERAL TREASURE BUT WITH THE OTHER GOVERNMENT LEADERS LEANING TOWARD A ALLOCATION OF THE REVENUE TO CERTAIN SPECIFIC USES AS ESSENTIAL TO JUSTIFY THE IMPOSITION OF THE TAX. THERE WAS DISCUSSION OF THE FACT (WHICH WAS ACCEPTED BY LOPEZ) THAT THE CONTRACT ARRANGEMENT WITH THE EXPORTERS WOULD NOT LEGALLY PERMIT APPLICATION OF THE TAX BY THE HONDURAN GOVERNMENT. IT WAS DECIDED, HOWEVER, THAT THIS LEGAL IMPEDIMENT COULD BE AVOIDED SOMEHOW BY AN ADJUSMENT TO BE HANDLED BY THE CENTRAL BANK OF HONDURAS. SOMOZA SAID THAT THE EXPLANATION OF HOW THIS WAS TO BE HANDLED WAS SOMEWHAT VAGUE TO HIM. FIGUERES STATED THAT COSTA RICA EXPORTED APPROMIMATELY 50 MILLION BOXES OF BANANAS A YEAR AND THAT THIS WOULD MEAN AN ADDITIONAL 50 MILLION DOLLARS IN GOVERNMENT REVENUE. IT WAS THEN PROPOSED THAT THE CHIEFS OF GOVERNMENT RECEIVE THE REPRESENTATIVES OF THE BANANA COMPANIES AND ADVISE THEM OF THE DECISION. SOMOZA SAID THAT FIGUERES OBJECTED TO THIS ON THE BASIS THAT HE (FIGUERES) DID NOT BELIEVE THAT THE BANANA COMPANIES SHOULD BE DIGNIFIED BY BEING RECEIVED BY CHIEFS OF STATE. THIS OBJECTION WAS OVERRULLED. LOPEZ NOTIFIED THE COMPANIES OF THE DECISION AND ASKED THAT THE MATTER BE WORKED OUT WITH THEIR VARIOUS MINISTERS. SOMOZA BELIEVES THAT IT IS MOST UNFORTUNATE THAT THE PRINCIPAL SPOKESMAN AT THE NEGOTIATING LEVEL WAS COSTA RICAN DELEGATE ESQUIVEL. SOMOZA SAID THAT HIS IMPRESSION WAS THAT ESQUIVEL WAS APPARENTLY ARBITRARY, DIFFICULT AND INDEED ALMOST INSULTING. INDEED ON ONE OCCASION HE APPARENTLY TOLD THE REPRESENTATIVES OF THE BANANA COMPANIES THAT THEY WERE QTE FREE TO LEAVE ANYTIME THEY WANTED

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TO IN VIEW OF THE FACT THERE WAS NOTHING FOR THEM TO DO, THE DECISION HAD BEEN MADE. END QTE. WHILE THESE DISCUSSIONS WERE GOING ON, SOMOZA ASKED IF A PROVISION HAD BEEN MADE TO BRING IN NOBOA OF ECUADOR WHO IS A VERY LARGE EXPORTER OF BANANAS AND THAT IF THIS HAD NOT BEEN DONE, THIS COULD BRING ABOUT A CHARGE OF DISCRIMINATION. ON THE BASIS OF THIS DISCUSSION, GENERAL RODRIGUES (THE LEADER OF ECUADOR) WAS TELEPHONED AS WERE PRESIDENT POSTAMA, GUATELAMALEAN PRESIDENT ARANA AND THEIR POSITION EXPLAINED

TO THEM. THEY ASKED GENERAL RODRIGUES IF IT WERE POSSIBLE TO ADJUST THE TAX ON ECUADORAN BANANAS TO MAKE LESS DIFFERENCE BETWEEN ECUADOR AND CENTRAL AMERICAN. RODRIGUES SAID HE WOULD HAVE TO STUDY THE MATTER.

WHEN IT WAS REPORTED BACK THAT STANDARD FRUIT REFUSED TO ACCEPT THE TAX, SOMOZA SAID THAT PRESIDENT FIGUERES QTE BLEW HIS TOP END QTE, AND INSISTED ON THE NATIONALIZATION AND /OR EXPROPRIATION OF ALL STANDARD BANANA HOLDINGS. A COMMUNIQUE WAS PREPARED FROM WHICH SOMOZA SAID HE ATTEMPTED TO REMOVE ALL OF THE POLEMICS WHICH HAS BEEN PLACED THERE BY THE GRAFTERS (APPARENTLY ESQUIVEL OF COSTA RICA) AND THE PRESS WAS CALLED IN AT WHICH POINT FIGUERES MADE VERY STRONG STATEMENTS AGAINST STANDARD FRUIT DESPITE THE FACT THAT GENERAL LOPEZ IN HIS ORIGINAL STATEMENT TO THE PRESS HAD MADE NO MENTION OF THE DISAGREEMENT. SUBSEQUENTLY, IN ORDER TO AVOID FURTHER EMBARRASSMENT OF HIS GUEST, LOPEZ DID MILDLY BACK FIGUERES. SOMOZA SAYS THAT HE DOES NOT BLAME STANDARD FRUIT'S VICE PRESIDENT WAITE AND THAT HE FEELS THAT TAKEN IN PERSPECTIVE HIS POSITION WAS UNDERSTANDABLE AND THAT WAITE SHOULD HAVE HAD THE RIGHT TO CONFER WITH THE LEGAL STAFF OF STANDARD FRUIT. IS IS UNFORTUNATELY WAITE LEFT TEGUCIGALPA WHILE THE CHIEFS OF GOVERNMENT WERE STILL MEETING; IT WOULD HAVE BEEN WISER FOR HIM TO REMAIN. BENNATON, HOWEVER, SHOULD HAVE EMPHASIZED TO WAITE THE IMPORTANCE OF STAYING UNTIL THE MEETING OF CHIEFS OF GOVERNMENT WAS COMPLETED. SOMOZA SAYS THAT HE WILL BE DELIGHTED TO RECEIVE PRESIDENT KIRCHHOFF AND MR. WAITE AT ANY TIME AND THAT HE WOULD HOPE THAT IN VIEW OF THE CONFLICT THAT HAS ARisen THEY WOULD VISIT THE CHIEFS OF GOVERNMENT, INCLUDING TORRIJOS AS QUICKLY AS POSSIBLE TO OFFER THEIR EXPLANATION OF THE MISUNDERSTANDING. FYI SOMOZA SAID HE WAS SHOCKED AT THE LACK OF UNDERSTANDING BY THE FHIEFS OF GOVERNMENT OF CONFIDENTIAL

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THE ECONOMICS OF THE MARKETING OF BANANAS AND THE GENERAL COMPLEXITIES OF THE BANANA INDUSTRY. HE STATED THERE WAS STRONG FEELING AMONG THE CHIFS OF GOVERNMENT LED BY PRESIDENT FIGUERES THAT UNITED FRUIT AND STANDARD FRUIT WERE ENGAGED IN ACTIVITIES WHICH WERE DEPRESSING THE RETAIL MARKET TO A SOMEWHAT UNREALISTIC DEGREE. SOMOZA IS NOT OPTIMISTIC THAT AGREEMENT CAN BE REACHED WITH ALL THE PARTIES CONCERNED RELATIVE TO THE TAX BUT BELIEVES THAT IT WOULD BE HIGHLY USEFUL FOR STANDARD FRUIT OFFICIALS TO VISIT BY WHAT THEY CONSIDER WAS AN "INSULT" TO THEM. SOMOZA EMPHASIZED THAT HIS RELATIONSHIP WITH STANDARD FRUIT AND WAITE ARE EXCELLENT AND THAT HE HOPES THAT THESE GOOD RELATIONSHIPS CAN BE CONTINUES. SHELTON

TCU NOTE: YOUR NUMBERS FORTHCOMING IN A.M.

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